

CHAPTER 11

REQUIRED SUPPLEMENTARY STEWARDSHIP REPORTING1101 GENERAL110101. Purpose.

A. All stewardship information was deemed “required supplemental stewardship information” (RSSI) by the Federal Accounting Standards Advisory Board (FASAB), and all federal agencies are required to report RSSI. This reporting requirement is predicated on stewardship over certain resources entrusted to federal agencies and the responsibilities assumed by that stewardship. The need to report information in this manner arises because of the unique nature of the federal government.

B. This chapter provides the Department of Defense guidance and instructions for preparing the RSSI.

110102. Stewardship Categories. There are three categories of RSSI (Stewardship Property, Plant, and Equipment; Stewardship Investments; and Stewardship Responsibilities). The Department of Defense shall report RSSI for the categories of Stewardship Property, Plant, and Equipment and Stewardship Investments. The Department of Defense (DoD) is not required to report RSSI for Stewardship Responsibilities. For the DoD, the two applicable categories of RSSI and their subcategories follow:

A. Stewardship Property, Plant, and Equipment (PP&E). Stewardship PP&E (also referred to as Stewardship Assets) is PP&E owned by the Department of Defense and meets the definition of one the following:

1. National Defense PP&E. National Defense PP&E is the property, plant, and equipment components of weapon systems and support PP&E used by the Military Departments in the performance of military missions.

2. Heritage Assets. Heritage Assets are property, plant, and equipment of historical, natural, cultural, educational, or artistic significance.

3. Stewardship Land. Stewardship Land is land other than that acquired for, or in connection with, General PP&E.

B. Stewardship Investments. Stewardship Investments are expenses in calculating net cost that merit special treatment to highlight their substantial investment and long-term benefit nature. There are three subcategories of Stewardship Investment (Nonfederal Physical Property, Research and Development, and Human Capital). The DoD is only required to report investments in Nonfederal Physical Property and Research and Development. The Human Capital subcategory is not applicable to the DoD.

1. Nonfederal Physical Property. Nonfederal Physical Property are expenses incurred by the DoD for the purchase, construction, or major renovation of physical property owned by state and local governments, including major additions, alterations, and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets.

2. Research and Development. Research and Development are expenses included in calculating the net cost for research and development programs that are intended to increase or maintain national economic productive capacity or yield other future benefits shall be reported as investments in research and development in a supplemental stewardship report. For the DoD, Budget Activities 1 and 2 contain research and development programs that are applicable to this reporting requirement.

1102 NATIONAL DEFENSE PROPERTY, PLANT AND EQUIPMENT

110201. General. The Military Departments shall disclose in a Supplemental Stewardship Report information pertaining to their National Defense PP&E. A report (Figure 11-1), titled "National Defense Property, Plant, and Equipment," shall be used to disclose the quantities, additions, and deletions of major types of National Defense PP&E, and a report (Figure 11-2), titled "National Defense Property, Plant, and Equipment - Yearly Investment," shall be used to disclose the annual acquisition costs of National Defense PP&E. Specific guidance for the preparation of each report follows.

110202. National Defense Property, Plant, and Equipment - Quantities Report. The DoD Components shall report the quantities of major types of National Defense PP&E in their inventories regardless of operational condition. The report format is shown in Figure 11-1.

A. Specific guidance for preparing the report follows.

1. Column (a). Only the categories and major types of National Defense PP&E shown in Figure 11-1 shall be used. Do not use a category or major type not shown. If a category or major type is not applicable to a Military Department, it shall not be displayed in the report (i.e., ships by the Department of the Air Force).

2. Column (b). Report the quantity of National Defense PP&E for each major type identified in Column (a), as of the close of the prior year (or as of the beginning of the reporting year).

3. Column (c). Report the net increase or decrease in the quantity of National Defense PP&E for each major type identified Column (a). A net decrease shall be shown parenthetically. Significant increases and decreases in the quantities of National Defense PP&E shall be addressed in the narrative statement to the table.

4. Column (d). Report the year-end balance of National Defense PP&E for each major type identified in Column (a). The amounts in this Column (d) shall equal the amounts in Column (b) plus or minus, as appropriate, the amounts in Column (c).

| NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT For Fiscal Year Ended September 30, 19CY (Stated in Number of Systems or Items) | | | | |
|---|--------------------------|------------------------------|--------------------------|-----------------------------------|
| (a) | (b) As Of 10/01/CY | (c) Additions/(Deletions) | (d) As Of 09/30/CY | (e) Condition % Operational |
| <u>Categories/Major Types</u> | | | | |
| 1. Aircraft | | | | |
| A. Combat | | | | |
| B. Airlift | | | | |
| C. Other Aircraft | | | | |
| 2. Ships | | | | |
| A. Submarines | | | | |
| B. Aircraft Carriers | | | | |
| C. Surface Combatants | | | | |
| D. Amphibious Warfare Ships | | | | |
| E. Mine Warfare Ships | | | | |
| F. Support Ships | | | | |
| G. Other Ships | | | | |
| 3. Missiles | | | | |
| A. Ballistic Missiles | | | | |
| B. Other Missiles | | | | |
| 4. Combat Vehicles | | | | |
| A. Tanks | | | | |
| B. Other Tracked Combat Vehicles | | | | |
| C. Other Combat Vehicles | | | | |
| 5. Space Systems | | | | |
| A. Satellites | | | | |
| 6. Other Weapon Systems | | | | |
| A. Torpedoes | | | | |
| B. Other Weapons | | | | |
| <u>Narrative Statement</u> | | | | |
| | | | | |

Figure 11-1

5. Column (e). Report the percentage of the year end balance that are operational. Assets are operational if they are at a "mission ready" level of reliability.

B. Narrative Statement. The report shall include a narrative statement that provides the following:

1. Information pertaining to significant increases or decreases in the quantities of National Defense PP&E, as shown in Column (c). The information should identify or describe significant procurements, such as: excess disposals, sales, transfers, accidental crashes, losses during military conflicts, etc.

2. Information pertaining to the condition of the National Defense PP&E. The mission ready condition is already disclosed in column (e) of this report. This narrative disclosure should report any material matters beyond the “mission ready” disclosure in the report.

3. The narrative statement shall include a reference to the National Defense PP&E deferred maintenance disclosure in Note 17 to the Statement of Net Cost.

4. The narrative statement shall include the following statement, “The Department of Defense elected to implement in FY 1998 the Federal Accounting Standards Advisory Board’s (FASAB) amendments to the Statement of Federal Financial Accounting Standards (SFFASs) Number 6 and Number 8, as was recommended by the FASAB. In accordance with such decision and the amendments, the quantities of National Defense Property, Plant and Equipment are disclosed in this report.”

5. The narrative statement also shall include the following statement, “The amendments to the Statement of Federal Financial Accounting Standards Number 6 and Number 8 require the Department of Defense to separately report additions and deletions of National Defense PP&E. Since the Department’s property systems, used for National Defense PP&E, do not capture and/or retain addition and deletion information, the Department cannot separately report such amounts. Therefore, the report reflects the net amount between the opening and closing balances. As the Department’s property systems are modified or upgraded, appropriate modifications will be made to accommodate the reporting of additions and deletions separately.”

110203. National Defense Property, Plant, and Equipment - Yearly Investment Report. The Military Departments shall report their annual acquisition costs for National Defense PP&E assets. Annual acquisition costs disclosed in this report shall be derived from the amounts reflected in Military Departments’ budget execution 1002 Report, “Appropriation Status by Fiscal Year Program and Subaccounts.” The National Defense PP&E – Yearly Investment report format is shown in Figure 11-2. For fiscal year (FY) 1998, only FY 1998 investments shall be reported. Dollar values shall be presented in a single FY 1998 column only.

A. Specific guidance for preparing the report follows. The illustrated multiyear disclosures are applicable to years subsequent to FY 1998.

1. Column (a). Only the categories and major types of National Defense PP&E shown in Figure 11-1 shall be used. Do not use a major type not shown. If a category and major type is not applicable to a Military Department or there are no acquisition costs for the reporting years, it should not be displayed in the report (i.e., ships by the Department of the Air Force).

2. Columns (b), (c), (d), (e), and (f). Report acquisition cost amounts, rounded to millions of dollars, by the major types of National Defense PP&E in Column (a) for each year. Such amounts shall be obtained from the fiscal year-end 1002 Report, "Appropriation Status by Fiscal Year Program and Subaccounts." Column (f) is the cost for the reporting year (the current year - CY). Column (e) is the year prior to the reporting year (CY-1). Column (d) is two years prior to the reporting year (CY-2). This logic continues for Columns (c) and (b), CY-3 and CY-4.

3. Report Footnotes. The report shall contain three footnotes. The first second footnotes shall provide examples of the National Defense PP&E reflected in the subcategories of Mission Support PP&E and Weapon Systems Support Real Property. Footnote examples are provided in Figure 11-2. The third footnote shall include the following statement, "The Department of Defense elected to implement in FY 1998 the Federal Accounting Standards Advisory Board's (FASAB) amendments to the Statement of Federal Financial Accounting Standards Number 6 and Number 8, as was recommended by the FASAB. In accordance with such decision and the amendments, the investment for FY 1998 in National Defense Property, Plant and Equipment is disclosed in this report."

| NATIONAL DEFENSE PROPERTY, PLANT, AND EQUIPMENT YEARLY INVESTMENTS For FY 19CY and 4 Preceding Fiscal Years (In Millions of Dollars) | | | | | |
|---|--|-------------------------|-------------------------|-------------------------|-----------------------|
| (a) <u>Categories/Major Types</u> | (b) <u>FY 19CY-4</u> | (c) <u>FY 19CY-3</u> | (d) <u>FY 19CY-2</u> | (e) <u>FY 19CY-1</u> | (f) <u>FY 19CY</u> |
| 1. Aircraft | | | | | |
| A. Combat | | | | | |
| B. Airlift | | | | | |
| C. Other Aircraft | | | | | |
| D. Aircraft Support Principal End Items | | | | | |
| 2. Ships | | | | | |
| A. Submarines | | | | | |
| B. Aircraft Carriers | | | | | |
| C. Surface Combatants | | | | | |
| D. Amphibious Warfare Ships | | | | | |
| E. Mine Warfare Ships | | | | | |
| F. Support Ships | | | | | |
| G. Other Ships | | | | | |
| H. Ship Support Principal End Items | | | | | |
| 3. Missiles | | | | | |
| A. Ballistic Missiles | | | | | |
| B. Other Missiles | | | | | |
| C. Missile Support Principal End Items | | | | | |
| 4. Combat Vehicles | | | | | |
| A. Tanks | | | | | |
| B. Other Tracked Combat Vehicles | | | | | |
| C. Other Combat Vehicles | | | | | |
| D. Combat Vehicle Support Principal End Items | | | | | |
| 5. Space Systems | | | | | |
| A. Satellites | | | | | |
| B. Satellite Support Principal End Items | | | | | |
| 6. Other Weapon Systems | | | | | |
| A. Torpedoes | | | | | |
| B. Other Weapons | | | | | |
| C. Other Weapon Systems Support Principal End Items | | | | | |
| 7. Mission Support PP&E ¹ | | | | | |
| 8. Weapon Systems Support Real Property ² | | | | | |
| <u>Notes:</u> (See paragraph 110203.A.3. for guidance.) | | | | | |
| 1. | Includes ordnance support equipment, vehicular equipment, electronics equipment, and communications equipment. | | | | |
| 2. | Includes ammunition bunkers and missile silos in active use. | | | | |

Figure 11-2

1103 HERITAGE ASSETS110301. General.

A. The DoD Components shall report the quantities, additions, deletions, and condition of Heritage Assets under their control in a Supplemental Stewardship Report titled, "Heritage Assets" (Figure 11-3).

B. Heritage Assets are PP&E that are unique for one or more of the following reasons:

1. Historical or natural significance;
2. Cultural, educational or artistic importance; or
3. Significant architectural characteristics.

C. Heritage Assets are generally expected to be preserved indefinitely.

110302. Reporting Guidance.

A. The quantity of Multi-use Heritage Assets (i.e., Heritage Asset buildings used predominantly for government operations) shall be included in the amounts disclosed in this report regardless that the accounting treatment for Multi-use Heritage Assets is the same as for General PP&E and that their costs are reflected in the Balance Sheet.

B. Specific guidance for the preparation of the report follows.

1. Reporting Categories. Heritage Assets shall be reported by type within the two following categories:

a. Collection Type. A Collection Type of Heritage Asset is a consolidated presentation of Heritage Assets within a common theme. Quantities of collections are reported by the appropriate type within the Collection Type category, rather than by individual items within a collection. The Heritage Assets reported in this category are typically contained in DoD Component museums and, as such, have been officially determined to have historical, natural, artistic, cultural, or educational significance or importance.

b. Noncollection Type. The size and/or materiality of Noncollection Type of Heritage Assets do not lend themselves to collection basis reporting, and, therefore, shall be counted and reported individually. A determining factor that should be used to determine if asset is heritage in nature is whether it is listed in the National Register of Historic Places.

| HERITAGE ASSETS | | | | |
|--|---------------------------------|-------------------------|-------------------------|--------------------------------|
| For Fiscal Year Ended September 19CY | | | | |
| (Quantities in Actual Amounts Except for Battlefields, Cemeteries, and Land Which Are in the Number of Sites and (Thousands of Acres)) | | | | |
| (a) | (b) As Of <u>10/01/CY</u> | (c) <u>Additions</u> | (d) <u>Deletions</u> | (e) As Of <u>9/30/CY</u> |
| <u>Collection Type</u> | | | | |
| 1. Documents | | | | |
| 2. Works of Art | | | | |
| 3. Military Artifacts | | | | |
| 4. Non-Military Artifacts | | | | |
| 5. Classic Weapon Systems | | | | |
| 6. Other | | | | |
| Total Collection Type | | | | |
| <u>Noncollection Type</u> | | | | |
| 7. Historic Structures or Buildings | | | | |
| 8. Monuments | | | | |
| 9. Battlefields | | | | |
| 10. Cemeteries and other Burial Grounds | | | | |
| 13. Land | | | | |
| 14. Other | | | | |
| Total Noncollection Type | | | | |
| Total Heritage Assets | | | | |
| <u>Narrative Statement.</u> | | | | |

Figure 11-3

2. Column (a). Example types within the two categories (Collection Type and Noncollection Type) of Heritage Assets are provided in Figure 11-3. Do not list asset types that are not applicable. Additional asset types may be listed, as appropriate.

3. Column (b). Report the quantity of Heritage Assets by type as of the close of the prior year (or as of the first day of the reporting year). For the Noncollection Types, report the number of buildings, structures, locations or sites, whatever is appropriate to the category.

4. Column (c). Report the increase in the number of Heritage Assets by type. When an increase is significant, it should be explained in narrative statement (i.e., identify whether by donation, purchase, etc.).

5. Column (d). Report the decrease in the number of Heritage Assets by type. When a decrease is significant, it should be explained in narrative statement (i.e., identify the decrease was by sale, exchange, donation, abandonment, etc.).

6. Column (e). Report the year end balance for each type.

7. Narrative Statement. The report shall include a narrative statement that provides the following:

a. Information pertaining to significant increases or decreases in the quantities of Heritage Assets, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

b. Information pertaining to the condition of the Heritage Assets.

1104 STEWARDSHIP LAND

110401. General.

A. The Department of Defense Components shall disclose the quantities, additions, deletions, and condition of Stewardship Land under their control in a Supplemental Stewardship Report titled, "Stewardship Land" (Figure 11-4). Specific guidance for the preparation of the report is provided below.

B. Stewardship Land is land other than that acquired for or in connection with General PP&E and, typically, does not have an identifiable cost. Land that was previously public domain land or land that was donated to the DoD shall be reported as Stewardship Land. Many of the Department of Defense's military bases, installations, and ranges are located on Stewardship Land. A military base or installation predominantly comprised of Stewardship Land may also include General PP&E land, when such land was subsequently purchased, such as from individuals, local communities, or a State. Such amounts of General PP&E land shall not be reported in the Supplemental Stewardship Report; rather, the cost of such land should be reported on the Balance Sheet.

C. Some Stewardship Land may have a dual identity, as both Stewardship Land and a Heritage Asset (i.e., a battlefield or cemetery), and should be reported in both Supplemental Stewardship Reports. Guidance for reporting Heritage Assets is provided at paragraph 1103, above.

110402. Stewardship Land Supplemental Report. Specific guidance for the preparation of the Stewardship Land Supplemental Report follows.

A. Column (a). Report the number of acres of Stewardship Land based on the predominant use of the land. The reporting categories of predominant use are defined as follows:

1. Mission. Stewardship Land used as military bases, installations, training ranges, or other military mission related functions shall be reported as mission.

2. Freestanding. Stewardship Land owned by a DoD Component that is not part of a base or installation and that does not support any military mission related activities.

3. Heritage. Stewardship Land that also is reported as a Heritage Asset (i.e., battlefield, cemetery, Indian tribal burial ground).

4. Other. Stewardship Land that conforms to the definition of Stewardship Land, but does not conform to the foregoing categorizations.

B. Column (b). Report the number of acres for each category as of the close of the prior year (or as of the first day of the beginning of the reporting year).

C. Columns (c) and (d). Report any changes during the reporting year. Report acreage increases in Column (c) and decreases in Column (d).

D. Column (e). Report the total acreage by category as of the end of the reporting year.

| STEWARDSHIP LAND | | | | |
|--|---------------------------------|------------------|------------------|---------------------------------|
| For Fiscal Year Ended September 30, 19CY | | | | |
| (Acres in Thousands) | | | | |
| (a) | (b) | (c) | (d) | (e) |
| <u>Land Use</u> | <u>As Of</u> <u>10/01/CY</u> | <u>Additions</u> | <u>Deletions</u> | <u>As Of</u> <u>09/30/CY</u> |
| 1. Mission | | | | |
| 2. Freestanding | | | | |
| 3. Heritage | | | | |
| 4. Other | | | | |
| Totals | | | | |
| <u>Narrative Statement.</u> | | | | |

Figure 11-4

E. Narrative Statement. The report shall include a narrative statement that provides the following:

1. Information pertaining to significant increases or decreases in the acreage of Stewardship Land, as shown in Columns (c) and (d). The information should identify or describe significant sales, exchanges, donations, etc.

2. Information pertaining to the condition of the Stewardship Land.

1105 NONFEDERAL PHYSICAL PROPERTY

110501. General. The DoD Components shall disclose in a Supplemental Stewardship Report the expenses included in calculating the net cost of investments in Nonfederal Physical Property Programs. The dollar amount of those investments shall be disclosed for the reporting year (current year) and the preceding four years. Additional years' data also may be reported if such data would provide a better indication of the nature of the investment. For FY 1998, only FY 1998 investments shall be reported. Dollar values shall be presented in a single FY 1998 column.

110502. Definition. Investment in Nonfederal Physical Property refers to those expenses incurred by the DoD for the purchase, the construction, or the major renovation of physical property owned by State and Local Governments, including major additions, alterations and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments.

110503. Measurement.

A. The financial investment shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. Cash grants related to Nonfederal Physical Property Programs are recognized and reported as expenses in arriving at the net cost of operations.

C. Expenses incurred for program costs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expense or transfer. An example of an investment with a split purpose is a grant issued to a State Government to construct an Armory and to conduct military construction safety research.

110504. Minimum Reporting.

A. The annual investment shall be reported, including a description of federally-owned physical property transferred to State and Local Governments. Annual investment includes more than the annual expenditure reported by character class for budget execution. Annual investment is the full cost of the investment. This information will be provided for the current year, as well as for each of the four years preceding that year. If data for

additional years would provide a better indication of the investment, reporting of the additional years' data is encouraged.

B. Reporting shall be at a meaningful category or program. The report for disclosing Nonfederal Physical Property, provided below (Figure 11-5), identifies National Defense Mission Related, Environmental Improvement, Base Closure and Realignment, and Other as the most probable categories for reporting Nonfederal Physical Property costs. Additional categories may be added to this Supplemental Stewardship Report, if the costs are significant and warrant individual disclosure.

C. In some cases, the information called for above is not available because the DoD Components have maintained records on the basis of outlays rather than expenses. For some DoD Components, to reconstruct their accounts on the basis of expense data may be impracticable. In this situation, the DoD Components shall continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the five years, the DoD Components shall report only expense data for the current reporting year and such other years as available.

D. Reporting shall include a description of the categories or programs involving DoD investments, as well as a description of programs or policies under which non-cash assets are transferred to State and Local Governments.

110505. Nonfederal Physical Property Supplement Report. The Nonfederal Physical Property information shall be disclosed in the report format (Figure 11-5) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). Identify and list the appropriate categories and programs for grouping like Nonfederal Physical Property investments.

2. Columns (b), (c), (d), (e), and (f). Report the investments in State or Local Governments by fiscal year. Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting year and is labeled "FY CY-1." Column (d) is two years prior to the reporting year and is labeled "FY CY-2." This logic continues through Columns (c) and (b), "FY CY-3" and "FY CY-4." For FY 1998, only FY 1998 investments shall be reported. Dollar values shall be presented in a single FY 1998 column. The illustrated multiyear disclosures are applicable to years subsequent to FY 1998.

3. Reported investments are not cumulative, are reported in millions of dollars, and represent only investments incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).

4. Narrative Statement. A narrative statement shall be included in the report and shall contain a description of the categories and programs, including a description of programs or policies under which non-cash assets are transferred to State and Local Governments.

| NONFEDERAL PHYSICAL PROPERTY Yearly Investment in State and Local Governments For Fiscal Years (Preceding 4th Fiscal Year) through FY 19CY (In Millions of Dollars) | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| (a) <u>Categories</u> | (b) <u>FY CY-4</u> | (c) <u>FY CY-3</u> | (d) <u>FY CY-2</u> | (e) <u>FY CY-1</u> | (f) <u>FY CY</u> |
| 1. National Defense Mission Related | | | | | |
| 2. Environmental Improvement | | | | | |
| 3. Base Closure and Realignment | | | | | |
| 4. Other | | | | | |
| Total | | | | | |
| Narrative Statement: | | | | | |

FIGURE 11-5

1106 RESEARCH AND DEVELOPMENT

110601. General. The reporting DoD Components shall disclose in a Supplemental Stewardship Report information pertaining to their research and development. A report (Figure 11-6), titled "Investment in Research and Development," shall be used to disclose the expenses included in calculating net cost for certain research and development programs as contained in Budget Activities categories 1 and 2: Basic Research and Applied Research.

110602. Definition. Investment in Research and Development refers to those expenses incurred to support the search for new and refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. The majority of DoD research and development is not applicable to this stewardship reporting requirement. By definition, only the DoD research and development categorized as Basic Research or Applied Research shall be contained in this report.

110603. Special FY 1998 Reporting Provisions. For FY 1998, only FY 1998 investments shall be reported. Investments disclosed in this report shall be derived from amounts reflected in budget execution 1002 Report, Appropriation Status by Fiscal Year Program and Subaccounts.

110604. Measurement. These requirements are applicable to years subsequent to FY 1998.

A. The financial investment shall be measured on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead, and costs of facilities. Amounts shall be reported in nominal dollars.

B. Investments related to research and development programs are recognized and reported as expenses in arriving at the net cost of operations.

C. Investments incurred for program costs, contracts, or grants with split purposes shall be reported on the basis of an allocation of the expenses. If allocation is not feasible, the investment shall be reported on the basis of the predominant application of the expense.

D. By not later than FY 2000, managers of the investment program should be able to provide information on the outcomes for the programs for which the investments are reported. If outcome data are not available, the outputs that best provide indications of the intended program outcomes shall be used to justify continued treatment of expenses as investments until outcome data are available. Definitions and characteristics of outputs and outcomes follow.

1. Output. A tabulation, calculation, or recording of activity or effort that can be expressed in a quantitative or qualitative manner. They shall have two key characteristics: (1) they shall be systematically or periodically captured through an accounting or management information system, and (2) there shall be a logical connection between the reported measures and the program's purpose. In research and development programs, this might consist of data for the year concerning the number of new projects initiated, the number continued from the prior year, the number completed and the number terminated. It also might consist of such quantitative measures as bibliometrics (for example, publication counts, citation counts and analysis, and peer evaluation); patent counts and analysis; science indicators that assess the ongoing vitality of the research (for example, statistics on scientific and engineering personnel, graduate students and degree recipients by field and sector).

2. Outcome. An assessment of the results of a program compared to its intended purpose. Because of the difficulty of measuring such results for research and development programs in financial, economic, or quantitative terms, outcome data for such programs are expected to consist typically of a narrative discussion of the major results achieved by the program during the year, along the following lines:

a. Basic Research. An identification of any major new discoveries that were made during the year.

b. Applied Research. An identification of any major new applications that were developed during the year.

3. The information provided concerning outcomes should be chosen to provide, in concise form, a plausible basis for judging the extent to which the program is achieving its purpose.

110605. Minimum Reporting.

A. The annual investment made in the year ended on the balance sheet date as well as in each of the 4 years preceding that year shall be reported. In those usual instances when there is no historical data, only current reporting year data need be reported. Reporting shall be at a meaningful category or level.

B. In some cases, the information called for will not be available because certain entities have maintained records on the basis of outlays rather than expenses. Reporting components in this situation will continue to report historical data on an outlay basis for any years for which reporting is required and for which expense data are not available. If neither historical expense nor outlay data are available for each of the 5 years, entities need report expense data for only the current reporting year. At the end of 5 years, however, reporting components will be able to report the expenses to be categorized as research and development rather than the outlays for the preceding 5 years.

C. A narrative description of major research and development programs shall be included.

110606. Investment in Research and Development Supplement Report. The Research and Development information shall be disclosed in the report format (Figure 11-6) provided below.

A. The report provides information in columnar form. The columns in the report shall provide the following information:

1. Column (a). Identify and list the categories for grouping like research and development investments. For DoD there are two categories: Basic Research and Applied Research. Subcategory reporting shall be by meaningful category or program. The report for disclosing Investments in Research and Development, provided below (Figure 11-6), leaves the subcategories unidentified. Reporting Components should rely on the program element lines provided in the program execution 1002 Report. Only “major” program elements should be individually identified. The title of the program elements are symbolically identified in Figure 11-6 as: Program W, Program X, Program Y, and Program Z.

2. Columns (b), (c), (d), (e), and (f). Report the investments in research and development by fiscal year. Report the investments for the reporting year (FY CY) in Column (f). Report the investments for the appropriate fiscal years in Columns (b), (c), (d), and (e). Column (e) is the year immediately prior to the reporting year and is labeled “FY CY-1.” Column (d) is two years prior to the reporting year and is labeled “FY CY-2.” This logic continues through Columns (c) and (b), “FY CY-3” and “FY CY-4.”

3. Reported investments are not cumulative, are reported in millions of dollars, and represent only investments incurred for the year shown in the appropriate Columns (b), (c), (d), (e), and (f).

4. A narrative statement shall be included in the report and shall contain a description of each program identified in Figure 11-6, as well as a delineation of the inputs and outcomes for every identified program.

| INVESTMENTS IN RESEARCH AND DEVELOPMENT Yearly Investment in Research and Development For Fiscal Years (Preceding 4th Fiscal Year) through FY 19CY (In Millions of Dollars) | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|---------------------|
| (a) <u>Categories</u> | (b) <u>FY CY-4</u> | (c) <u>FY CY-3</u> | (d) <u>FY CY-2</u> | (e) <u>FY CY-1</u> | (f) <u>FY CY</u> |
| 1. Basic Research | | | | | |
| Program W | | | | | |
| Program X | | | | | |
| Subtotal | | | | | |
| 2. Applied Research | | | | | |
| Program Y | | | | | |
| Program Z | | | | | |
| Subtotal | | | | | |
| Grand Total | | | | | |
| <u>Narrative Statement:</u> | | | | | |

FIGURE 11-6